

EXHIBIT 1

INTRODUCTION

Respondent Lumber Association of California & Nevada Political Action Committee (hereafter “Respondent LACN-PAC”) is a state general purpose committee sponsored by the Lumber Association of California & Nevada (“LACN”). At all relevant times, Respondent Jan E. Hansen was the treasurer of Respondent LACN-PAC. This case arose from an audit of Respondent LACN-PAC by the Franchise Tax Board (“FTB”) for the reporting period January 1, 2003 through December 31, 2004.

The Political Reform Act (the “Act”)¹ requires a state general purpose committee to file campaign statements at specified times, including pre-election campaign statements when the committee makes contributions or independent expenditures totaling \$500 or more during the reporting period covered by the pre-election campaign statement. The Act also strictly prohibits committees from making expenditures of \$100 or more in cash. In this matter, Respondents failed to file a required pre-election campaign statement, and made campaign expenditures of \$100 or more in cash in violation of the Act.

For the purposes of this stipulation, Respondents’ violations of the Act are stated as follows:

- COUNT 1:** On or about October 10, 2003, Respondents Lumber Association of California & Nevada Political Action Committee and Jan E. Hansen failed to file a pre-election campaign statement for the reporting period July 1, 2003 through September 30, 2003, in violation of Government Code Section 84200.3, subdivision (a)(3).
- COUNT 2:** On or about September 11, 2003, Respondents Lumber Association of California & Nevada Political Action Committee and Jan E. Hansen made two cash expenditures of \$100 or more, totaling \$2,145, for expenses in connection with a golf fundraiser, in violation of Government Code Section 84300, subdivision (b).
- COUNT 3:** On or about and between June 1, 2004 and June 10, 2004, Respondents Lumber Association of California & Nevada Political Action Committee and Jan E. Hansen made four cash expenditures of \$100 or more, totaling \$5,438, for expenses in connection with a golf fundraiser, in violation of Government Code Section 84300, subdivision (b).
- COUNT 4:** On or about November 5, 2004, Respondents Lumber Association of California & Nevada Political Action Committee and Jan E. Hansen made a cash expenditure of \$100 or more, totaling \$1,942, for

¹ The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

expenses in connection with their annual convention, in violation of Government Code Section 84300, subdivision (b).

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in Section 81002, subdivision (a), is to ensure that receipts and expenditures affecting election campaigns are fully disclosed to the public, so that voters may be better informed, and improper practices may be inhibited. To that end, the Act sets forth a comprehensive campaign reporting system designed to accomplish this purpose of disclosure.

Duty to File Pre-Election Campaign Statements

In connection with a statewide direct primary held in March of an even-numbered year, Section 84200.3, subdivision (a)(3), as it was in effect during 2003 and 2004, required all state or county general purpose committees, formed pursuant to Section 82013, subdivision (a), to file pre-election campaign statements as specified in Section 84200.4, if the committee made contributions or independent expenditures of \$500 or more during the period July 1 through September 30.

Section 84200.4, subdivision (a), as it was in effect during 2003 and 2004, provided that the pre-election campaign statement required by Section 84200.3 should be filed no later than October 10 for the period ending September 30. For the March 2, 2004 state primary election, the first pre-election reporting period was from July 1, 2003 through September 30, 2003.

Prohibition Against Cash Expenditures

Section 84300, subdivision (b) provides that no expenditure of one hundred dollars (\$100) or more shall be made in cash.

Liability of Committee Treasurers

Under Section 81004, subdivision (b), Section 84100, and Regulation 18427, subdivision (c), it is the duty of a committee's treasurer to ensure that the committee complies with all of the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.)

SUMMARY OF THE FACTS

Respondent LACN-PAC is a state general purpose committee sponsored by LACN. At all relevant times, Respondent Jan E. Hansen was the treasurer of Respondent LACN-PAC. This case arose from an audit of Respondent LACN-PAC by the FTB for the reporting period January 1, 2003 through December 31, 2004. Respondent LACN-PAC is located in Sacramento, and its current treasurer is Ken Dunham. Respondent LACN-PAC has been an active recipient committee since 1978, and has a long history of regularly filing campaign statements with the Secretary of State's office.

During the audit period, Respondents reported receiving contributions totaling \$81,801 and making expenditures totaling \$83,840. In this matter, the Respondents failed to file a pre-election campaign statement for the reporting period July 1, 2003 through September 30, 2003, and made seven cash expenditures of \$100 or more, totaling \$9,525, during the audit period.

COUNT 1
Failure to File a First Pre-Election Campaign Statement

Respondents had a duty to file a first pre-election campaign statement for the reporting period July 1, 2003 through September 30, 2003, if they made contributions or independent expenditures of \$500 to support or oppose candidates in the March 2, 2004 state primary election. Respondents filed a semi-annual campaign statement on January 9, 2004 for the reporting period July 1, 2003 through December 31, 2003, disclosing that they received contributions totaling \$31,894, and made expenditures totaling \$14,199. According to this campaign statement, Respondent made the following contributions to nine state legislative candidates:

Date of Contribution	Recipient of Contribution	Amount
07/17/2003	Doug LaMalfa for State Assembly	\$ 500
09/02/2003	Poochigian Campaign Committee	\$ 500
09/02/2003	Shirley Horton for Assembly	\$ 500
09/02/2003	Friends of Tom Harman	\$ 500
09/02/2003	Friends of Dave Cogdill – 2004	\$ 500
09/02/2003	Guy Houston for Assembly	\$ 500
09/02/2003	Committee to Re-Elect Bob Margett	\$ 500
09/15/2003	Rick Keene for Assembly 2004	\$ 500
09/15/2003	Friends of Kevin McCarthy 2004	\$ 500
Total		\$4,500

Since Respondents made the above contributions of \$500 or more in support of candidates in the March 2, 2004 state primary election, they were required to file a pre-election campaign statement by October 10, 2003, for the reporting period July 1, 2003 through September 30, 2003, but failed to do so. The pre-election campaign statement for this the reporting period would have disclosed that Respondents received contributions totaling \$21,649 and made expenditures totaling \$13,466.

By failing to file a first pre-election campaign statement for the reporting period July 1, 2003 through September 30, 2003, by the October 10, 2003 due date, Respondents violated Section 84200.3, subdivision (a)(3).

COUNTS 2 - 4
Making Cash Expenditures In Excess of One Hundred Dollars

Pursuant to Section 84300, subdivision (b), Respondents were strictly prohibited from making cash expenditures of \$100 or more. Respondents made seven cash expenditures in the amount of \$100 or more, totaling \$9,525, in connection with two golf fundraisers and an annual convention for Respondent's sponsor during the audit period. The cash expenditures of \$100 or more are set forth in the chart below:

Count	Date	Vendor	Amount
2	09/11/2003	Westridge Golf Club	\$ 545
	09/11/2003	Westridge Golf Club	\$ 1,600
Subtotal			\$ 2,145
3	06/01/2004	Sportsmart	\$ 745
	06/01/2004	Costco	\$ 560
	06/10/2004	The Clubhouse at Rancho Solano	\$ 978
	06/10/2004	Rancho Solano Golf Course	\$ 3,155
Subtotal			\$ 5,438
4	11/05/2004	Art's Sports Artifacts	\$ 1,942
Grand Total			\$ 9,525

The above cash expenditures of \$100 or more were made for golf course green fees, catering costs, gifts, and prizes for golf fundraising events held on September 11, 2003 and June 10, 2004, and for raffle prizes for the LACN convention held on November 5, 2004. During the FTB audit, Respondent LACN-PAC's representative stated that they were unaware of the prohibition against making expenditures of \$100 or more in cash, but maintained clear and accurate records for all of the cash that was spent by the committee. By making seven cash expenditures of \$100 or more, totaling \$9,525, Respondents violated Section 84300, subdivision (b).

CONCLUSION

This matter consists of four counts, which carry a maximum possible administrative penalty of Twenty Thousand Dollars (\$20,000).

Respondents were negligent in failing to file a pre-election campaign statement for the reporting period July 1, 2003 through September 30, 2003. Respondents have a long history of filing campaign statements with the Secretary of State's office, had filed pre-election campaign statements in the past when they made contributions of \$500 or more during a reporting period before an election, and therefore, they should have been aware of this requirement. However, the requirement to file a pre-election campaign statement in October for a March statewide primary election was a relatively new requirement. A typical administrative penalty for failing to file a pre-election campaign statement has historically ranged between \$2,000 and \$3,000. Based on the factors in this case, a penalty in the middle range is appropriate.

Respondents failed to adhere to the strict requirements concerning the handling of cash expenditures, and on three separate occasions used cash to make significant expenditures of \$100 or more at golf fundraising events and in connection with the annual convention of their sponsor. The improper handling of cash transactions is a serious violation of the Act, because it can lead to nondisclosure and improper practices. However, in this case, it appears that all of the cash transactions were properly reported by Respondents, and clear records were maintained to support the cash expenditures. Respondents also cooperated with the investigation in this matter. A typical administrative penalty for making cash expenditures of \$100 or more has historically ranged between \$1,500 and \$3,000. Based on the factors in this case, a penalty in the middle range is appropriate.

Based on facts and circumstances of this case as addressed herein, the agreed upon total administrative penalty of Eight Thousand Five Hundred Dollars (\$8,500) is justified.